

MEDIA RELEASE

16 September 2015

Consumers will have more protections under new super legislation

The Financial Services Council (FSC) welcomes the Superannuation Legislation Amendment (Trustee Governance) Bill 2015 which was introduced to Parliament today by the Assistant Treasurer, Josh Frydenberg.

The Bill is part of a package of reforms designed to increase competition and raise standards of governance across the entire superannuation industry. Together these reforms will protect consumers from conflicts of interest and will lower fees.

Sally Loane, CEO of the FSC said: “The Financial Services Council welcomes the first instalment of a package of reforms that are in the best interest of consumers and will deliver lower fees to working Australians.”

“The reforms introduced to Parliament today will require all superannuation funds to appoint independent directors onto the boards of super funds. They will apply equally to all APRA-regulated funds – retail, industry, public sector and corporate – and will increase consumer protections across the industry.”

“Every working Australian – 11.5 million people – who entrusts a super fund to manage a large proportion of their salary over their entire lifetime should welcome these reforms. They are sensible consumer protections which exist throughout corporate Australia, and which are supported by a broad range of consumer groups.”

“There is no downside for consumers for their super funds to include a proportion of independent directors with diverse skills on their boards.

“The previous Labor Government’s Super System Review (Cooper Review) in 2010 and the recent 2015 Financial System Inquiry both considered this matter and, following broad consultation, recommended that it was global best practice and in the interests of consumers for superannuation funds to be required to appoint independent directors.”

The FSC urges the Parliament to proceed with complementary reforms to increase competition in the superannuation industry to facilitate fee reductions.

Currently, some consumers are not entitled to choose their own superannuation fund and default superannuation funds are not required to compete for new members, protecting inefficient funds from the discipline of open market competition.

Ms Loane also said: “Legislation currently denies Australians joining superannuation funds which have lower fees than some default funds.”

“For example, ‘MySuper’ options such as Bendigo MySuper at 0.65%, ANZ MySuper at 0.60%, and AMP MySuper 0.85% are all below the industry average, but are excluded from competing.”

"Governance and competition reforms will provide Australian consumers with certainty that the entities managing the \$1.4 trillion in retirement savings have the highest standards of governance and the lowest fees, regardless of whether they are an APRA-regulated retail, industry, public sector or corporate fund."

"Consumers will benefit from more competition, choice and control of their superannuation," Ms Loane said.

[ENDS]

For further information contact: Robyn Tolhurst, Director of Communication T: 0411 177 773 E: rtolhurst@fsc.org.au

About the Financial Services Council

The Financial Services Council (FSC) has over 115 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The industry is responsible for investing more than \$2.6 trillion on behalf of 11.5 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.